



L. JOYCE HAMPERS
COMMISSIONER

The Commonwealth of Massachusetts

Department of Revenue

Leverett Saltonstall Building,

100 Cambridge Street, Boston 02204

June 8, 1981

You request a ruling concerning the Massachusetts tax consequences of the following transaction.

("Associates") was organized on February 3, 1958 as a Massachusetts corporate trust. All of the shares in Associates were owned by one individual. On his death on January 26, 1976 the shares were transferred to an inter vivos trust ("Shareholder") which provided for distribution to the remaindermen on the death of his widow. She died on June 23, 1980. At such time the trustees of Associates adopted a plan of complete liquidation. Under the Plan Associates sold its real estate and distributed the proceeds from the sale to the Shareholder in complete liquidation of Associates.

Associates' final Massachusetts income tax return was filed on November 30, 1980 and reported a gain of \$47,488 from the sale of the real estate. The Shareholder also reported a gain of approximately \$10,000 representing the difference between its basis in the shares and the amount it received on the liquidation of Associates.

Under the Internal Revenue Code ("Code"), Associates is an association taxable as a corporation. For Massachusetts income tax purposes, Associates is a corporate trust subject to taxation under Massachusetts General Laws Chapter 62. Chapter 62, Section 2 defines Massachusetts gross income as federal gross income with certain modifications.

June 8, 1981

For federal tax purposes the transaction was governed by Section 337 of the Code. This Section states that if a corporation adopts a plan of complete liquidation and within a twelve-month period beginning on the date the plan was adopted distributes all of the assets of the corporation in complete liquidation, no gain or loss will be recognized to the corporation resulting from the sale of its assets. Shareholders recognize gain or loss under the Code measured by the difference between the amount received and the shareholders' basis in the shares.

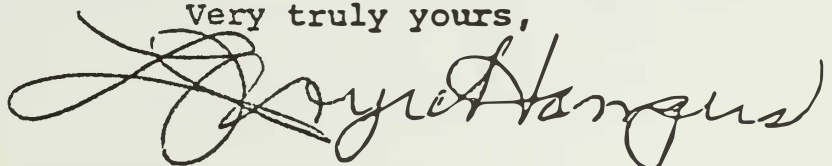
Massachusetts does not have a provision similar to Section 337 applicable to corporate trusts.

Based on the foregoing it is ruled that:

1. The sale of the real estate by Associates resulted in the recognition of gain to Associates measured by the difference between the amount received from the sale and Associates' basis in the property.

2. The distribution of the assets of Associates to the Shareholder in complete liquidation of Associates resulted in the recognition of gain to the Shareholder for Massachusetts income tax purposes to the extent that gain was recognized for federal tax purposes.

Very truly yours,

A handwritten signature in dark ink, appearing to read "Roy H. Angus". The signature is fluid and cursive, with the first name "Roy" being particularly prominent.

Commissioner of Revenue

LJH:RSF:mf

LR 81-45